

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Vocation Limited

ABN / ARBN:

95 166 631 330

Financial year ended:

30 June 2015

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website:  
[www.vocation.com.au/investors](http://www.vocation.com.au/investors)

The Corporate Governance Statement is accurate and up to date as at 31 August 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 22 September 2015

Emma Lawler  
Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]  ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.vocation.com.au/investors">www.vocation.com.au/investors</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>



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2015 CORPORATE  
GOVERNANCE  
STATEMENT

# 2 Corporate Governance Statement

for the year ended 30 June 2015

The Board of Directors (the 'Board') is responsible for the overall corporate governance of Vocation Limited (the 'Company' or 'Vocation'), including adopting appropriate policies and procedures designed to ensure that Vocation is properly managed to protect and enhance shareholder interests. During the year, the Board has actively considered and reviewed its corporate governance practices and to that end a number of changes have been made, including:

- Updating the Board Charter;
- Updating the Nomination and Remuneration Committee Charter;
- Creating the independent Quality Advisory Committee to advise the Board; and
- Updating the Securities Trading Policy.

This Corporate Governance Statement reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations ('ASX Principles') and the practices detailed in this Corporate Governance Statement are current as at 31 August 2015. It was approved by the Board and is available on the Vocation website.

## Principle 1: The Board lays solid foundations for management and oversight

### Role and responsibilities of the Board and management

The Board is responsible for the overall direction of Vocation with oversight and review of the management, administration and overall governance of the Company.

The Board's role and responsibilities include:

- Protecting shareholders' interests;
- Authorising policies and overseeing the strategic direction of the Company;
- Appointing and removing the Chief Executive Officer ('CEO') and Company Secretary;
- Review of succession planning;
- Approving corporate strategy and goals and reviewing performance against those goals;
- Monitoring the integrity and consistency of management's control of risk; and

- Approving and monitoring financial and other reporting.

The Board has established the following committees to assist it in discharging its functions:

- Audit and Risk Committee;
- Nomination and Remuneration Committee; and
- Investment Committee.

The Investment Committee was established in 2014 and acts as an ad hoc committee which meets as required to review potential investments but was suspended in June 2015.

In addition, in October 2014, the Board established the Quality Advisory Committee (**QAC**), independent of management. The QAC provides independent guidance and advice on quality and compliance to Vocation's registered training organisations ('RTO'). The QAC reports directly to the Board and comprises three industry experts with significant experience in all aspects of RTOs and the Company's sector. The creation of the QAC has ensured commitment to quality, excellence and transparency is a key part of Vocation's governance practices.

The Board's responsibilities are set out in the Board Charter which is available on the Vocation website under "Investors".

The CEO and Managing Director is responsible for the day-to-day management of the Company with the authority to exercise all necessary powers, discretions and delegations authorised from time to time by the Board. The CEO and Managing Director's responsibilities are set out in the Board Charter which is available on the Vocation website under "Investors". The CEO and Managing Director is supported by his executive management team, all of whom are listed on the Vocation website under "About Us" then "Our Team".

### Access to Information and Independent Professional Advice

Each Director has the right of access to seek any information he or she requires from Management, the external auditor and external advisers.

The Board collectively may seek independent professional advice at Vocation's expense, as necessary, to assist in fulfilling the performance of its duties. Individual Directors who wish

to obtain independent professional advice are required to seek approval from the Chairman and will be entitled to reimbursement of all reasonable costs in obtaining such advice.

### Board meetings

The Board holds regular meetings and is expected to meet at least eight times per calendar year or as frequently as may otherwise be required to deal with urgent matters, which might arise between the scheduled meetings. Given the complex matters the Board has managed during 2015, the Board met formally over 60 times during the year ended 30 June 2015.

For details of the current Directors, their qualifications, skills and experience, refer to 'Information on Directors' in the Directors' Report. For details of Directors' attendance at Board and Committee Meetings for the year ended 30 June 2015, refer to 'Meetings of Directors in the Directors' Report.

### Appointment and Re-election of Directors

When appointing new Directors, the Board and the Nomination and Remuneration Committee look to ensure that an appropriate mix of skills, expertise, experience and diversity is maintained.

At commencement of the Director selection process, the Company will undertake appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Director. Appropriate checks were undertaken for each Non-Executive Director as part of the process of listing on the ASX in December 2013.

Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of Vocation.

Directors available for re-election at a general meeting are reviewed by the Nomination and Remuneration Committee and recommended to the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules.

There have been no new Non-executive Directors appointed since listing on the

ASX, however this process will be followed as the need arises. Shareholders will be provided with details about each Director for re-election in the Notice of Meeting for the AGM to enable them to make a decision on election.

Additionally, the Company enters into employment contracts with each newly employed executive management member.

### Company Secretary

All Directors have direct access to the Company Secretary who is responsible to the Board through the Chairman on all matters relating to the conduct and functions of the Board and Committees. The Company Secretary's responsibilities are set out in the Board Charter which is available on the Vocation website under "Investors".

### Diversity

Vocation is committed to providing an environment in which all employees are treated with fairness and respect and have equal access to workplace opportunities. Vocation's vision for diversity incorporates a number of factors, including gender, ethnicity, disability, age, and business and education experience. For this purpose, Vocation has adopted a Diversity Policy which is available on the Vocation website under "Investors".

The Board adopted a number of diversity-related measurable objectives for 2015 and the performance against these is listed below:

2015 Objective	2015 Performance
Maintain or improve Vocation's high level of female participation across all levels of business, with particular focus at the leadership levels	See table below
Conduct a gender pay gap analysis across all employment groups, monitoring pay equity and responding to any trends requiring action	Gender pay equity review completed. Highlighted some areas for further investigation and management will review remuneration in context of gender going forward.
Review the current flexibility arrangements within the business to ensure suitable opportunities are offered at all levels including Senior Leadership and Management levels	Policy for flexibility in place.
Review the opportunity to introduce paid maternity leave and provide support programs to encourage women returning to the workplace	Federal Government maternity leave scheme is in place.

In 2015/16, Vocation will be developing an enhanced human resources function to support the business and all changes to the organisation structure and associated staffing have had, and will continue to have, diversity as a prime consideration. The objectives for 2015/16 will be to:

- Continue to maintain female participation across all levels of the Company; and
- Work on additional diversity objectives in due course, given the turnaround program the Company is undertaking.

Vocation's workforce diversity is as follows:

### Female employees as a percentage of workforce participation as at 30 June 2015

Group	Percentage 30 June 2015	Percentage 30 June 2014
Board	25%	20%
Non-Executive Board Directors	33%	25%
Group Executive*	40%	43%
Senior Leadership Team**	22%	41%
Overall	63%	61%

\* Group Executive comprises the CEO and his direct reports (10 people in total)

\*\* Senior Leadership Team is the level reporting to the Group Executive

# 4 Corporate Governance Statement

for the year ended 30 June 2015

## Performance review of the Board

The Nomination and Remuneration Committee is responsible for establishing the processes for reviewing the performance of individual Directors, the Board as a whole and Committees.

During the year ended 30 June 2015, the Board conducted a review of the Board, Committees and Chairman's performance, which included a full Board discussion on Board processes, director contribution, committee operation and governance. The review included management feedback. The Board discussion was followed with a self-assessment survey completed by each Director.

In addition, a peer review of each Director being proposed for re-election was undertaken to be able to recommend that shareholders elect that Director at the AGM.

## Performance Review of Executive Management

Executive management members' ('executives') key performance indicators are set annually in collaboration with the CEO and Managing Director and each individual executive. At least annually, the CEO and Managing Director conducts one-on-one performance evaluations with individual executives to assess whether they have met their key performance indicators set in the preceding year.

During the year ended 30 June 2015, there was significant turnover of key executives. This has meant that no key executives have been in their role for over six months and therefore formal performance evaluations for executives have not been undertaken in accordance with the process outlined above. However, for all new executives appointed, clear objectives and key performance indicators have been set.

The Board, via the Nomination and Remuneration Committee, sets key performance indicators for the CEO and Managing Director and formally evaluates the achievement of those objectives. Stewart Cummins was appointed as CEO and Managing Director on 1 May 2015 and as such a formal review has not yet taken place. However, clear objectives have been set for the financial year ending 30 June 2016 which will be formally reviewed.

## Principle 2: The Board is structured to add value

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee:

- Has three members who are independent Non-Executive Directors;
- Is chaired by Michelle Tredenick;
- Has a Charter which is available on the Vocation website under "Investors";
- Meets at least twice a year and otherwise as required; and
- In its function as a nominations committee assists the Board in fulfilling its corporate governance responsibilities in regard to:
  - Board appointments, re-elections and performance;
  - Board and Committee membership;
  - Directors' induction and continuing development;
  - Succession planning; and
  - Strategies to address Board diversity.

The Committee may obtain information from, and consult with, Management and external advisers, as it considers appropriate.

The Committee met 8 times during the year ended 30 June 2015. For further details of the number of Nomination and Remuneration Committee meetings and the attendance at those meetings, refer to 'Meetings of directors' in the Directors' report.

### Board Skills Matrix

The composition of the Board is reviewed on an annual basis by the Nomination and Remuneration Committee to ensure that the Board has the appropriate mix of skills, expertise and experience necessary to fulfil its function effectively. The annual review is facilitated by considering a Board skills matrix developed by the Committee that provides an overview of the Directors' skills measured against a range of skills, competencies and experience sought by the Board which have been developed based on:

- The Company's strategic priorities and objectives;
- Current issues and challenges; and
- Current and future business.

The Board has determined that the following skills and experience are necessary for the Board, as a whole to have.

Skill/Experience/Competency	Board
<b>Required Skills</b>	
1. Financial Acumen	✓
2. Strategy	✓
3. Human resources & organisational culture	✓
4. Risk management	✓
5. Understanding of education and training sector*	✓
6. Senior executive experience in a publicly listed company	✓
7. Operations experience	✓
8. Government relations*	✓
9. Legal, governance & regulatory skills and experience	✓
10. Business turnaround experience	✓
<b>Desired Skills</b>	
1. Information technology	✓
2. Sales and marketing	✓

\* Areas desirable for skill enhancement.

Following the 2015 assessment, the Board has identified that the Board as a whole has all the required skills and experience, however it would be desirable to enhance its skills and experience in the education and training sector and in government relations. During 2015/16 and as Vocation executes its turnaround strategy, the Board will be considering Board renewal and how these areas can be best enhanced.

#### Composition of the Board and details of directors

Vocation currently has four Directors, one of whom is an executive Director, Stewart Cummins, who is the CEO and Managing Director. The remaining three Directors are considered by the Board to be independent Non-Executive Directors, comprising Doug Halley (Chairman of the Board), Michelle Tredenick and Steve Tucker, forming a majority of a Board of independent Directors.

The Chairman is an independent Non-Executive Director and there is a clear division of responsibility between the Chairman and the CEO and Managing Director. The role of the Chairman and CEO and Managing Director may not be exercised by the same individual.

In appointing Directors, the Board must ensure that any candidate has the appropriate range of skills, experience and expertise that will best complement the existing Board. Vocation recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director, while taking into account all other relevant factors, including materiality thresholds, as set out in the Board Charter which is available on the Vocation website under "Investors".

If a Director is or becomes aware of any information, facts or circumstances that will or may affect his or her independence, the Director must immediately disclose all relevant details in writing to the Company Secretary and the Chairman.

All the Non-Executive directors of Vocation were appointed on 16 October 2013 and have served on the Board for a length of 21 months as at 30 June 2015. Stewart Cummins, CEO and Managing Director was appointed on 1 May 2015, following the resignation of the former CEO and Managing Director, Mark Hutchinson.

For details of the current directors, their qualifications, skills and experience refer to 'Information on Directors' in the Directors' Report.

#### Induction and education

The Nomination and Remuneration Committee is responsible for implementing an effective training and education program for all new and existing Directors. The Committee is required to regularly review the effectiveness of the program to ensure directors

# 6 Corporate Governance Statement

for the year ended 30 June 2015

maintain the skills and knowledge required to perform their role effectively.

Any new Directors will undergo a formal induction program in which they are given a full briefing on Vocation, its operations and the industry in which it operates. Where possible, this will include meetings with key executives, tours of premises, provision of a due diligence package and presentations from management. Furthermore, to achieve continuing improvement in Board performance, all Directors are encouraged to undergo regular professional development. During the year ended 30 June 2015 the Directors received presentations on the quality framework for Vocation's RTOs.

Each Director was provided with a thorough induction program through their involvement in the due diligence process as part of listing on the ASX. No new Non-Executive Directors have been appointed during the year.

## Principle 3: The Board promotes ethical and responsible decision-making

### Code of Conduct

Vocation is committed to operating ethically, honestly, responsibly and legally in all its business dealings. Accordingly, Vocation requires employees to act in the Company's best interests in a professional, honest and ethical manner, and in full compliance with the law, both within and on behalf of Vocation.

The Board has adopted a formal Code of Conduct which forms the foundation for the way in which Vocation undertakes business. The Code applies to all Directors and employees of Vocation and all consultants and contractors are required to be aware of the Company's expectations set out in the Code.

The Code covers the following areas:

- Compliance with laws and regulations;
- Fair dealing;
- Conflicts of interest;
- Improper use or theft of Vocation property and assets;
- Confidentiality;
- Privacy;
- Continuous disclosure and public communications;

- Employment;
- Politics and community; and
- Environment and social responsibility.

If an employee is aware of, or suspects a breach of the Code or other inappropriate behaviour, they are encouraged to promptly report any breaches of the Code. Employees will have the benefit of protections applicable under legislation in relation to whistle-blowing.

A copy of the Code is given to all directors, employees and relevant personnel. The Code of Conduct is available on the Vocation website under "Investors".

### Securities Trading Policy

Vocation has adopted a Securities Trading Policy that applies to all Personnel (Directors, employees, contractors and consultants) of the Company and its subsidiaries. The Securities Trading Policy prohibits Personnel from dealing in Vocation's securities while in possession of inside information as defined under section 1043A of the Corporations Act 2001.

In addition, Designated Persons (Directors, executive management and their direct reports) may deal in Vocation's securities by following the 'notice of intent to deal' procedures but are prohibited from dealing in Vocation's securities (subject to exceptional circumstances) during the following "blackout periods":

- For a period of two weeks before the public release by the Company of its annual and half year results to the ASX, up to the commencement of the first trading day after such release;
- For a period of two weeks before the Company's AGM up to the commencement of the first trading day after the AGM;
- For a period of two weeks before the issue of a disclosure document (e.g. prospectus), up to the commencement of the first trading day after such release; and
- Such other periods the Chairman and CEO and Managing Director may notify from time to time.

Designated Persons are also prohibited from entering into any hedging or margin lending arrangement or otherwise

permitting a grant of a charge over Vocation securities.

The Securities Trading Policy is available on the Vocation website under "Investors".

## Principle 4: The Board safeguards integrity in financial reporting

### Audit and Risk Committee

The Audit and Risk Committee:

- Has three members, each of whom are independent Non-Executive Directors;
- Is Chaired by Steve Tucker, who has significant experience in financial management (Steve Tucker commenced as Chair following Doug Halley's appointment as Chairman of the Board on 27 November 2014);
- Has a Charter which is available on the Vocation website under "Investors";
- Meets at least four times a year and otherwise as required; and
- In its function as an audit committee assists the Board in fulfilling its corporate governance responsibilities in regard to:
  - Vocation's half year and annual financial reporting obligations;
  - Oversight of the independence of the external auditor; and
  - Compliance with legal and regulatory obligations.

The Committee may obtain information from, and consult with, management, the external auditor and external advisers, as it considers appropriate. The Committee also has access to the external auditor to discuss matters without management present.

The Audit and Risk Committee met 7 times during the year ended 30 June 2015. For further details regarding the number of Audit and Risk Committee meetings and the attendance at those meetings, refer to 'Meetings of Directors' in the Directors' Report.

### Selection and rotation of the External Auditor

The Audit and Risk Committee is responsible for recommending to the Board the appointment, removal or



replacement of the external auditor and its signing partner, the terms of appointment, any re-appointment and fees. The Committee is responsible for recommending procedures for the rotation of external audit engagement partners and annually reviewing the external auditor's performance and independence.

#### **Chief Executive Officer and Chief Financial Officer declaration**

Prior to Board approval of Vocation's half year and annual financial reports, the CEO and Managing Director and Chief Financial Officer ('CFO') must provide the Board with declarations required under section 295A of the Corporations Act 2001 and Recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2015, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act 2001. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively. An equivalent declaration was made for the half year ended 31 December 2014.

To enable these declarations to be provided, a more detailed compliance review is performed by each key manager.

#### **Auditor at AGM**

At Vocation's AGMs, the external auditor is present and available to answer shareholder questions on:

- The conduct of the audit;
- The preparation and content of the External Auditor's Report;
- The accounting policies adopted by Vocation in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit.

#### **Principle 5: The Board makes timely and balanced disclosure**

Vocation has adopted a Continuous Disclosure Policy to ensure compliance with the explicit requirements and the spirit and intent of its disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

The Board has designated the Company Secretary as the person with primary responsibility for communications with the ASX. The Company Secretary determines with the CEO and Managing Director (or in his absence the Chairman), whether information is required to be disclosed to the ASX. Any disclosure must be approved by the CEO and Managing Director, and if the CEO and Managing Director considers necessary, the Board. The Board has designated the Chairman and CEO and Managing Director as the persons authorised to issue statements and communicate with media on behalf of Vocation. The CFO is only authorised to speak to analysts and proxy advisers regarding matters specific to the financial reports of Vocation, unless authorised otherwise.

The Continuous Disclosure Policy is available on the Vocation website under "Investors".

#### **Principle 6: The Board respects the rights of shareholders**

Vocation respects the rights of its shareholders and to facilitate the effective exercise of those rights, Vocation has established a Shareholder Communications Policy which is contained in the Continuous Disclosure Policy available on the Vocation website under "Investors".

#### **Company website**

Vocation's website is at [www.vocation.com.au](http://www.vocation.com.au) and is regularly kept up-to-date to maintain effective communication with shareholders and stakeholders.

The following information is available on the website:

- Company profile and businesses;
- Board and executive management profiles;
- Corporate Governance Charters and Policies;
- Company announcements and investor briefings;

- Annual reports and notices of meeting;
- Details of Vocation's corporate social responsibility; and
- Contact details.

Alternatively, Company announcements can be accessed from the "Announcements" section of the ASX website (ASX code: VET).

#### **Shareholder engagement and participation**

The contact details of Vocation and its Share Registry (see below under 'Electronic Communications') are available to shareholders to address and facilitate any shareholder-related enquiries.

Vocation will be holding its 2015 AGM on 23 October 2015. To encourage shareholder engagement and participation at the AGM, shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and executive management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting or online through the Share Registry's website. Shareholders have the opportunity to submit written questions to the Company and external auditor, or make comments on the management of the Company and access AGM presentations and speeches made by the Chairman and CEO and Managing Director prior to the commencement of the meeting. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

#### **Electronic communications**

The Company's contact details are available on the Vocation website under "Contact". Shareholders can submit an electronic query to the Company via the website, email the Company at [ask@vocation.com.au](mailto:ask@vocation.com.au) or contact its Share Registry, Link Market Services.

Available to shareholders is the option to receive all shareholder communications (including notification that the Annual Report is available to view, Notices of Meeting and Payment Statements) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

# 8 Corporate Governance Statement

for the year ended 30 June 2015

## Principle 7: The Board recognises and manages risk

### Audit and Risk Committee

In its function as a risk committee, the Audit and Risk Committee assists the Board in fulfilling its corporate governance responsibilities in regard to oversight of the Company's risk management system and internal control systems.

Details of the Audit and Risk Committee are contained in the disclosure under Principle 4. For details regarding the number of Audit and Risk Committee meetings and the attendance at those meetings, refer to 'Meetings of Directors' in the Directors' Report.

### Risk management policy

Vocation's Risk Management Policy sets out the requirements, roles and responsibilities for managing risks across the organisation. The Risk Management Policy is available on the Vocation website under "Investors".

The risk management procedure covers the key activities or stages within risk management:

**Identify:** identify a risk (threats or opportunities) and ensure it is captured by the risk register owner.

**Assess:** the primary goal is to document the net effect of all identified threats and opportunities, by assessing:

- Likelihood of threats and opportunities (risks);
- Impact of each risk;
- Proximity of threats; and
- Prioritisation based on scales.

**Plan:** preparation of management responses to mitigate threats and maximise opportunities.

**Implement:** ensure risk responses are actioned.

**Monitor and review:** monitor and review the performance of the risk management system and changes to business initiatives.

**Communicate:** provide regular reports to management team / Audit and Risk Committee at agreed times.

The Vocation Risk Register is used for tracking and management of all strategic and operational level risks and is used to generate reporting to

senior management and the Audit and Risk Committee.

Each risk has an owner, who is a senior manager in the relevant functional or business unit. In addition each risk is assigned to an employee, a person with the right skills, knowledge and a member of the functional area responsible to track the likelihood and potential impact, as well as define and implement risk response plans.

Management are responsible for identifying and evaluating risks within their area of responsibility, implementing agreed actions to manage risk and for reporting as well as monitoring any activity or circumstance that may give rise to new or changed risks.

The key risk areas for Vocation are:

- Finance (including funding);
- Quality and product compliance;
- Regulatory, including Government funding;
- Operations;
- Facilities and information technology; and
- People.

During the financial year ended 30 June 2015, the Board (through the Audit and Risk Committee) conducted an annual review of the Company's risk management framework and agreed with the priority risk areas being quality and product compliance and financial. During the year Vocation experienced significant regulatory challenges and has moved quickly to remediate the issues, comply with regulatory directives and establish a new quality team in conjunction with the independent Quality Advisory Committee (QAC). Financial risks have also been reduced through establishing a new capital structure appropriate to Vocation's ongoing business.

Senior Management has reported to the Board (through the Audit and Risk Committee) on the effectiveness of the management of the material risks faced by the Company during FY2015. The Board/Audit and Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

### Economic, environmental and social sustainability risks.

Vocation does not have material exposures to economic, environmental

and social sustainability risks.

However, Vocation will strive to conduct its business in ways that appropriately balance financial, social and environmental benefits. Vocation understands that sustainable success depends upon maintaining its reputation and paying attention to the demands and concerns of all stakeholders.

Vocation has a material exposure to legal and regulatory risks, due to a significant proportion of its revenue streams being dependent on a range of Federal and State Government programs. Vocation is actively managing this risk through stringent monitoring and assessment, a commitment to quality in its service delivery and by dedicating additional experienced resources to this area.

Vocation has a Corporate Social Responsibility Statement available on the Vocation website under "Investors". The Corporate Social Responsibility Statement outlines Vocation's social responsibility approach, to corporate governance, the workplace and the environment. Vocation has a relatively low environmental impact and as such, its primary environmental impacts will ordinarily result from energy-consumption and consumables. Vocation strives to take steps to mitigate its environmental impacts through appropriate measures such as recycling and energy conservation measures.

Vocation has a program named "Vocation Forest" that combines the Company's environmental initiative with its long-term commitment to growing sustainable partnerships with its stakeholders. Information about "Vocation Forest" is available on the Vocation website under "Who We Are" then "Vocation Forest".

### Internal Audit

Due to the size and current stage of development of the Company, Vocation does not have an independent internal audit function. Oversight of the effectiveness of Vocation's risk management and internal control processes currently form part of the responsibilities of the CFO (for financial risks and controls) and the Head of Quality and Compliance (for regulatory risk and controls). In addition, for each RTO that Vocation operates, the relevant regulator conducts ongoing audits of the RTO's performance.

As the Company continues to develop, the Audit and Risk Committee will

consider establishing an independent internal audit function.

### **Principle 8: The Board remunerates fairly and responsibly**

#### **Nomination and Remuneration Committee**

In its function as a remuneration committee, the Nomination and Remuneration Committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- Engaging remuneration consultants (if any);
- Reviewing Non-Executive Director remuneration;
- Determining executive remuneration policies and remuneration for executives; and
- Reviewing and approving all equity based incentive plans.

Details of the Nomination and Remuneration Committee are contained in the disclosure under Principle 2. Details of the number of Nomination and Remuneration Committee meetings and the attendance at those meetings, refer to 'Meetings of Directors' in the Directors' Report.

#### **Remuneration report and remuneration policies**

In relation to remuneration issues, the Board (with the assistance of the Nomination and Remuneration Committee) has established a remuneration philosophy to ensure that it remunerates fairly and responsibly. The remuneration philosophy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees.

Details about Vocation's remuneration philosophy, policies and practices are provided within the Remuneration Report, which is part of the Director's Report. As detailed in the Remuneration Report, the structure of Non-Executive Directors' remuneration and that of executives is clearly distinguished. Non-Executive Directors receive fees, which do not include any incentive payments. Executives participate in incentive plans as detailed in the Remuneration Report. There are also no

retirement schemes for Non-Executive Directors, other than superannuation.

#### **Equity-based remuneration scheme**

Vocation has established the Vocation Limited Performance Rights Plan (the 'Plan') under which eligible participants will be granted rights ('Rights') to receive Vocation shares at a future date provided that specific criteria are met.

The Plan may be used to make annual grants to executives that may form the long term incentive component of their total remuneration package. This will further align executives' interests with those of shareholders and is reflective of market practice of listed companies.

Under the Plan and also the Securities Trading Policy, participants must not enter into any arrangement for the purpose of hedging their economic exposure to a Right that has been granted to them. The Terms and Conditions of the Plan are available on the "Announcements" section of the ASX website for "VET" lodged on 6 December 2013. The Securities Trading Policy is available on the Vocation website under "Investors".